

BETTENDORF COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Barry Anderson	President	2008
Kathy Weigle	Vice President	2007
Paul Castro	Board Member	2006
Tom Luton	Board Member	2006
Steve Mayer	Board Member	2007
Barb Ehrmann	Board Member	2007
Jeannine Crockett	Board Member	2008
<b>Board of Education (After September 2006 Election)</b>		
Barry Anderson	President	2008
Kathy Weigle	Vice President	2007
Steve Mayer	Board Member	2007
Barb Ehrmann	Board Member	2007
Jeannine Crockett	Board Member	2008
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
<b>School Officials</b>		
Marty Lucas	Superintendent	2007
Dr. Carol Webb	Assistant Superintendent	2007
Maxine McEnany	Director of Financial and Business Services	2007
Colleen Skolrood	Board Secretary	2007
Joe Slavens	Board Treasurer	2007
Cameron Davidson	Attorney	2007
Don Hoskins	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2008 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 37 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$33,543,865 in fiscal 2006 to \$35,296,999 in fiscal 2007, while General Fund expenditures increased from \$33,885,399 in fiscal 2006 to \$34,918,113 in fiscal 2007. The District's General Fund balance increased from \$6,997,830 in fiscal 2006 to a balance of \$7,376,716 in fiscal 2007, a 5.41% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources. The increase in expenditures was due to the increase in negotiated salary and benefits and equipment purchases.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$295,039 in fiscal year 2006 to \$326,823 in fiscal year 2007.
- The District's General Fund solvency ratio was 13.44% at June 30, 2007.
- Our special education balance for year ended June 30, 2007 was \$86,816. The June 30, 2006 deficit was \$244,608. This represents a decrease of \$331,424 in our deficit. The main reasons for the decrease are an increase in receipts and changes in paraeducator services.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bettendorf Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bettendorf Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Bettendorf Community School District Annual Financial Report**

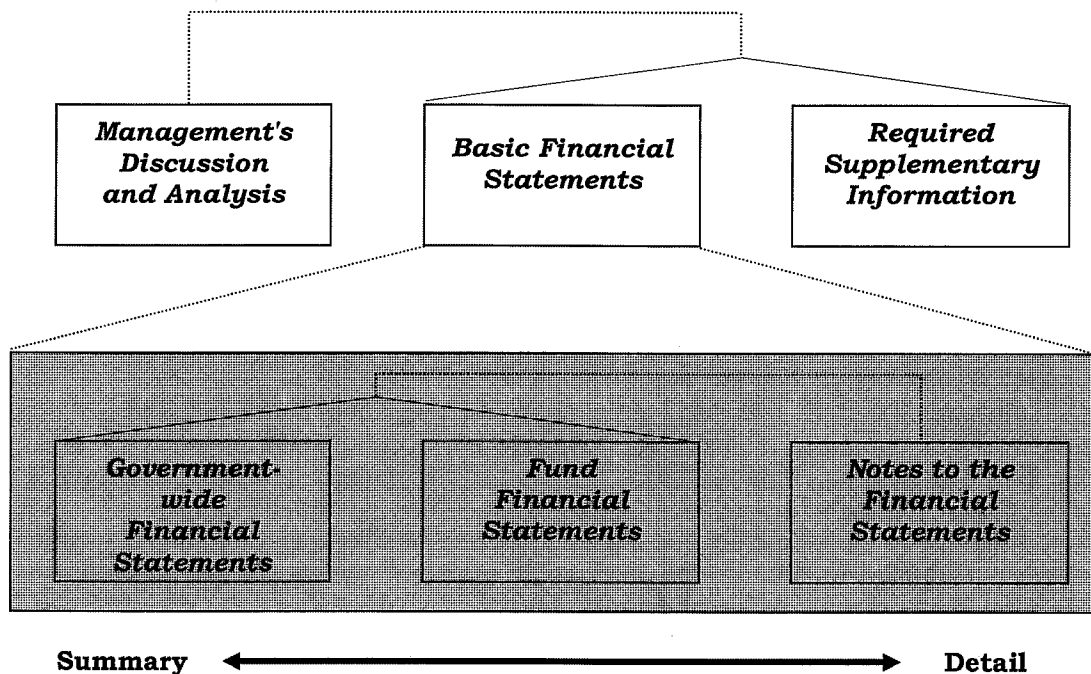


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 39,637,349	33,709,158	266,031	283,562	39,903,380	33,992,720	17.39%
Capital assets	32,383,306	26,163,337	152,937	140,753	32,536,243	26,304,090	23.69%
Total assets	72,020,655	59,872,495	418,968	424,315	72,439,623	60,296,810	20.14%
Long-term obligations	11,847,848	5,510,278	0	0	11,847,848	5,510,278	115.01%
Other liabilities	20,052,575	19,400,250	75,553	67,853	20,128,128	19,468,103	3.39%
Total liabilities	31,900,423	24,910,528	75,553	67,853	31,975,976	24,978,381	28.01%
Net assets:							
Invested in capital assets, net of related debt	21,944,458	23,913,490	152,937	140,753	22,097,395	24,054,243	-8.14%
Restricted	8,272,926	2,204,229	0	0	8,272,926	2,204,229	275.32%
Unrestricted	9,902,848	8,844,248	190,478	215,709	10,093,326	9,059,957	11.41%
Total net assets	\$ 40,120,232	34,961,967	343,415	356,462	40,463,647	35,318,429	14.57%

The District's combined net assets increased by 14.57%, or \$5,145,218, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$6,068,697, or 275.32% over the prior year. The increase was primarily a result of issuance of bond anticipation notes and the debt sinking requirements.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – increased \$1,033,369, or 11.41%. This increase in unrestricted net assets was a result of the District's increase in the General Fund and Internal Service Fund balances.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 3,848,817	4,259,757	1,011,935	994,430	4,860,752	5,254,187	-7.49%
Operating grants and contributions and restricted interest	4,492,191	3,473,113	516,251	431,713	5,008,442	3,904,826	28.26%
General revenues:							
Property tax	15,152,198	14,710,145	0	0	15,152,198	14,710,145	3.01%
Local option sales and service tax	3,603,670	3,415,771	0	0	3,603,670	3,415,771	5.50%
Unrestricted state grants	14,468,030	14,175,976	0	0	14,468,030	14,175,976	2.06%
Other	943,317	374,928	15,195	2,787	958,512	377,715	153.77%
Transfers	3,242	0	0	0	3,242	0	100.00%
Total revenues and transfers	42,511,465	40,409,690	1,543,381	1,428,930	44,054,846	41,838,620	5.30%
Program expenses:							
Governmental activities:							
Instructional	22,719,977	23,321,083	0	0	22,719,977	23,321,083	-2.58%
Support services	11,602,809	10,391,493	36,352	0	11,639,161	10,391,493	12.01%
Non-instructional programs	0	0	1,520,076	1,579,259	1,520,076	1,579,259	-3.75%
Other expenses	3,030,414	3,456,475	0	0	3,030,414	3,456,475	-12.33%
Total expenses	37,353,200	37,169,051	1,556,428	1,579,259	38,909,628	38,748,310	0.42%
Changes in net assets	5,158,265	3,240,639	(13,047)	(150,329)	5,145,218	3,090,310	66.50%
Beginning net assets	34,961,967	31,721,328	356,462	506,791	35,318,429	32,228,119	9.59%
Ending net assets	\$ 40,120,232	34,961,967	343,415	356,462	40,463,647	35,318,429	14.57%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 78.15% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.02% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$44.05 million of which \$42.51 million was for governmental activities and \$1.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.30% increase in revenues and transfers and a .42% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

#### Governmental Activities

Revenues and net transfers in for governmental activities were \$42,511,465 and expenses were \$37,353,200.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 22,719,977	23,321,083	-2.58%	15,757,604	16,898,796	-6.75%
Support services	11,602,809	10,391,493	11.66%	11,498,841	10,300,510	11.63%
Other expenses	3,030,414	3,456,475	-12.33%	1,755,747	2,236,875	-21.51%
Totals	<u>\$ 37,353,200</u>	<u>37,169,051</u>	<u>0.50%</u>	<u>29,012,192</u>	<u>29,436,181</u>	<u>-1.44%</u>

- The cost financed by users of the District's programs was \$3,848,817.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,492,191.
- The net cost of governmental activities was financed with \$15,152,198 in property tax, \$3,603,670 in local option sales and services tax, \$14,468,030 in unrestricted state grants, \$827,250 in interest income, \$116,067 in other general revenues and \$3,242 in transfers from the Agency Fund.

### Business-Type Activities

Revenues of the District's business-type activities were \$1,543,381 and expenses were \$1,556,428. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Bettendorf Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$16,901,575, which is greater than last year's ending fund balances of \$12,362,443. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the issuance of \$7 million in revenue bans in the Capital Projects Fund. The District anticipates expending this fund in fiscal year 2008 for the Neil Armstrong Elementary school building project.

### Governmental Fund Highlights

- The General Fund balance increased from \$6,997,830 to \$7,376,716, due in part to the increase in local tax revenues were more than the increase in negotiated salary and benefit expenditures. The District's tax rate increased from \$14.69 per \$1,000 valuation in fiscal year 2006 to \$15.00 for fiscal year 2007.
- The Capital Projects Fund balance increased from \$2,689,577 in fiscal 2006 to \$7,159,951 in fiscal 2007. The District issued \$7 million in revenue bans to finance capital facility construction. The Neil Armstrong Elementary building project was not completed at year end.

- 
- The Special Revenue, Physical Plant and Equipment Levy fund balance decreased from \$1,403,279 in fiscal 2006 to \$924,182. The District used some of prior years balance to fund construction on the Neil Armstrong Elementary building project.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$356,462 at June 30, 2006 to \$343,415 at June 30, 2007, representing a decrease of 3.66%. The decrease in net assets was due to the increase in expenses for negotiated salaries and benefits, increase in food costs and increased cost of custodial services.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Bettendorf Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the repayment of the old general obligation bonds.

The District's revenues were \$1,478,087 more than budgeted revenues, a variance of 3.47%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. The certified budget exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget. In the future, the District's certified budget should be amended to reflect increases in expenditures.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$32.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 19.15% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,689,817.

The original cost of the District's capital assets was \$57.0 million. Governmental funds account for \$56.4 million with the remainder of \$0.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$499,030 at June 30, 2006, compared to \$7,197,872 reported at June 30, 2007. This significant increase resulted from the construction not completed on the Neil Armstrong Elementary building project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	7,197,872	499,030	0	0	7,197,872	499,030	93.07%
Buildings	23,229,517	23,868,451	0	0	23,229,517	23,868,451	-2.75%
Land improvements	61,176	35,003	0	0	61,176	35,003	42.78%
Machinery and equipment	877,326	743,438	152,937	140,753	1,030,263	884,191	14.18%
Total	<u>\$ 32,383,306</u>	<u>26,163,337</u>	<u>152,937</u>	<u>140,753</u>	<u>32,536,243</u>	<u>26,304,090</u>	<u>19.15%</u>

### Long-Term Debt

At June 30, 2007, the District had \$11,847,848 in general obligation and other long-term debt outstanding. This represents an increase of 115.019% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2007 of \$4,165,000.

The District had total outstanding Revenue Bond Anticipation Notes indebtedness at June 30, 2007 of \$7,000,000.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$583,655 at June 30, 2007.

The District had total outstanding Compensated Absences payable from the General Fund of \$99,193 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General Obligation Bonds	\$ 4,165,000	4,930,000	-15.52%
Revenue Bonds	7,000,000	0	100.00%
Early Retirement	583,655	499,415	16.87%
Compensated Absences	99,193	80,863	22.67%
Totals	<u>\$ 11,847,848</u>	<u>5,510,278</u>	<u>115.01%</u>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a number of years, the District had a slight increase in enrollment in the fall of 2004 of 24.8 students. However, the district experienced a significant enrollment decline in the fall of 2005 of 89.8 students. In the fall of 2006, the District had an enrollment increase of 57.3 students.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

- 
- The District's unspent balance increased significantly from \$2,681,816 for fiscal year end 2005 to \$5,590,560 for fiscal year end 2006, due to the School Budget Review Committee approving allowable growth for July and August payrolls.
  - Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
  - On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The 2006/2007 \$.33 regular PPEL levy and 1.34 voted PPEL levy generated \$1,787,148 property tax income.
  - The 10-year local option sales tax will expire in 2009. During the 2005 legislative session lawmakers voted to approve a statewide local option tax pool. The statewide average local option tax per pupil is \$575. At the current time the Scott County per pupil amount is \$824. We will continue to receive the taxes generated by our County until our 10-year tax expires. At that time we will receive the statewide average set by the legislature if the tax is renewed.
  - The Board of Education broke ground August 22, 2006 for construction of a new two-section elementary school, replacing Neil Armstrong Elementary School, based on the recommendation of Russell Construction. The location will be on the current Ray Stensvad Administration Center site. The project is budgeted for \$8.8 million dollars and will be funded through the Local Option Sales and Services Tax, the Voter-Approved Physical Plant and Equipment Levy, and the General Fund. Construction is expected to be completed in July, 2007.
  - The Board of Education approved a \$5 million renovation of the Middle School Pod area to be completed for occupancy in the fall of 2008.
  - The District continues to repay 100% of outstanding bonds from the local option sales tax receipts. The Board has determined they will not be issuing any debt, unless they chose to borrow against any future sales tax.
  - Overall usage of electricity increased 2.5% for fiscal year end June 30, 2007. With all of the air conditioning we now have, our costs have increased approximately \$160,000 over the past five years.
  - We were up 10.2% overall more natural gas usage.
  - The District is self-funded for health insurance. The fund balance has increased since last year. On June 30, 2006, the fund balance was just over \$1.9 million dollars, while on June 30, 2007 it is roughly \$2.9 million.
  - The Board of Education implemented a revised early retirement plan for a three-year period beginning with fiscal year ended June 30, 2005. The plan allows people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. At the November 6, 2006 Board meeting the Board moved that the early retirement resolution dated August 16, 2004 be allowed to expire as stated in the resolution in Section I(A) Program Life. The amount due for early retirement for this program at June 30, 2007 is \$583,655.

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- The Board of Education lowered the tax rate from \$15.47 per \$1,000 taxable valuation for the fiscal year ended June 30, 2005 to \$14.69 for the fiscal year ended June 30, 2006. The current year end June 30, 2007 tax rate is \$15.00.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, 800 23<sup>rd</sup> Street, Bettendorf, Iowa, 52722.



BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 22,193,678	244,309	22,437,987
Receivables:			
Property tax:			
Delinquent	229,198	0	229,198
Succeeding year	15,518,273	0	15,518,273
Interfund	39,183	0	39,183
Accounts	269,355	5,655	275,010
Due from other governments	1,387,662	4,316	1,391,978
Inventories	0	11,751	11,751
Capital assets, net of accumulated depreciation (Note 5)	32,383,306	152,937	32,536,243
<b>Total Assets</b>	<b>72,020,655</b>	<b>418,968</b>	<b>72,439,623</b>
<b>Liabilities</b>			
Interfund payable	0	39,183	39,183
Accounts payable	1,002,071	0	1,002,071
Salaries and benefits payable	3,011,662	5,989	3,017,651
Incurred but not reported claims	214,821	0	214,821
Interest payable	227,375	0	227,375
Deferred revenue:			
Succeeding year property tax	15,518,273	0	15,518,273
Other	78,373	0	78,373
Unearned revenue	0	30,381	30,381
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	785,000	0	785,000
Early retirement payable	105,518	0	105,518
Compensated absences	99,193	0	99,193
Portion due after one year:			
General obligation bonds payable	3,380,000	0	3,380,000
Revenue BANS payable	7,000,000	0	7,000,000
Early retirement payable	478,137	0	478,137
<b>Total Liabilities</b>	<b>31,900,423</b>	<b>75,553</b>	<b>31,975,976</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	21,944,458	152,937	22,097,395
Restricted for:			
Debt service	5,110,277	0	5,110,277
Beginning teacher mentoring	17,436	0	17,436
Salary improvement program	13,743	0	13,743
Market factor	22,408	0	22,408
Phase II	4,287	0	4,287
Capital projects	1,328,066	0	1,328,066
Management levy	486,962	0	486,962
Physical plant and equipment levy	924,182	0	924,182
Other special revenue purposes	365,565	0	365,565
Unrestricted	9,902,848	190,478	10,093,326
<b>Total Net Assets</b>	<b>\$ 40,120,232</b>	<b>343,415</b>	<b>40,463,647</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 15,082,829	2,655,015	2,940,957	(9,486,857)	0	(9,486,857)
Special instruction	4,357,738	426,043	211,883	(3,719,812)	0	(3,719,812)
Other instruction	3,279,410	728,475	0	(2,550,935)	0	(2,550,935)
	<u>22,719,977</u>	<u>3,809,533</u>	<u>3,152,840</u>	<u>(15,757,604)</u>	<u>0</u>	<u>(15,757,604)</u>
Support services:						
Student services	1,366,863	0	0	(1,366,863)	0	(1,366,863)
Instructional staff services	547,298	0	0	(547,298)	0	(547,298)
Administration services	4,866,560	0	0	(4,866,560)	0	(4,866,560)
Operation and maintenance of plant services	4,078,787	0	0	(4,078,787)	0	(4,078,787)
Transportation services	743,301	39,284	64,684	(639,333)	0	(639,333)
	<u>11,602,809</u>	<u>39,284</u>	<u>64,684</u>	<u>(11,498,841)</u>	<u>0</u>	<u>(11,498,841)</u>
Other expenditures:						
Long-term debt interest	405,927	0	0	(405,927)	0	(405,927)
AEA flowthrough	1,274,667	0	1,274,667	0	0	0
Depreciation(unallocated)*	1,349,820	0	0	(1,349,820)	0	(1,349,820)
	<u>3,030,414</u>	<u>0</u>	<u>1,274,667</u>	<u>(1,755,747)</u>	<u>0</u>	<u>(1,755,747)</u>
Total governmental activities	37,353,200	3,848,817	4,492,191	(29,012,192)	0	(29,012,192)
Business-Type activities:						
Support services:						
Administration services	28,465	0	0	0	(28,465)	(28,465)
Operation and maintenance of plant services	7,887	0	0	0	(7,887)	(7,887)
	<u>36,352</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,352)</u>	<u>(36,352)</u>
Non-instructional programs:						
Food service operations	1,520,076	1,011,935	516,251	0	8,110	8,110
Total business-type activities	1,556,428	1,011,935	516,251	0	(28,242)	(28,242)
Total	<u>\$ 38,909,628</u>	<u>4,860,752</u>	<u>5,008,442</u>	<u>(29,012,192)</u>	<u>(28,242)</u>	<u>(29,040,434)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 13,369,986	0	13,369,986
Capital outlay				1,782,212	0	1,782,212
Local option sales and service tax				3,603,670	0	3,603,670
Unrestricted state grants				14,468,030	0	14,468,030
Unrestricted investment earnings				827,250	15,195	842,445
Other general revenues				116,067	0	116,067
Transfers				3,242	0	3,242
Total general revenues and transfers				<u>34,170,457</u>	<u>15,195</u>	<u>34,185,652</u>
Changes in net assets				5,158,265	(13,047)	5,145,218
Net assets beginning of year				34,961,967	356,462	35,318,429
Net assets end of year				<u>\$ 40,120,232</u>	<u>343,415</u>	<u>40,463,647</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Assets:</b>					
Cash and pooled investments	\$ 9,934,949	6,773,589	(79,266)	2,458,439	19,087,711
Receivables:					
Property tax					
Delinquent	193,254	0	0	35,944	229,198
Succeeding year	12,995,434	0	0	2,522,839	15,518,273
Interfund	39,183	0	83,810	0	122,993
Accounts	216,868	0	0	30,059	246,927
Due from other governments	837,197	550,433	0	32	1,387,662
<b>Total assets</b>	<b>\$ 24,216,885</b>	<b>7,324,022</b>	<b>4,544</b>	<b>5,047,313</b>	<b>36,592,764</b>
<b>Liabilities and fund balances:</b>					
Liabilities:					
Interfund payable	\$ 0	83,810	0	0	83,810
Accounts payable	754,700	80,261	0	164,110	999,071
Salaries and benefits payable	3,011,662	0	0	0	3,011,662
Deferred revenue:					
Succeeding year property tax	12,995,434	0	0	2,522,839	15,518,273
Other	78,373	0	0	0	78,373
<b>Total liabilities</b>	<b>16,840,169</b>	<b>164,071</b>	<b>0</b>	<b>2,686,949</b>	<b>19,691,189</b>
<b>Fund balances:</b>					
Reserved for:					
Debt service	0	5,105,733	4,544	0	5,110,277
Capital facility construction	0	726,152	0	0	726,152
Beginning teacher mentoring	17,435	0	0	0	17,435
Salary improvement program	13,743	0	0	0	13,743
Market factor	22,408	0	0	0	22,408
Phase II	4,287	0	0	0	4,287
Unreserved:					
Designated:					
Special purposes by the board	575,000	0	0	0	575,000
Cash flow	2,000,000	0	0	0	2,000,000
Undesignated	4,743,843	1,328,066	0	2,360,364	8,432,273
<b>Total fund balances</b>	<b>7,376,716</b>	<b>7,159,951</b>	<b>4,544</b>	<b>2,360,364</b>	<b>16,901,575</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,216,885</b>	<b>7,324,022</b>	<b>4,544</b>	<b>5,047,313</b>	<b>36,592,764</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

<b>Total fund balances of governmental funds (page 17)</b>	\$ 16,901,575
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	32,383,306
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	2,910,574
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(227,375)
Long-term liabilities, including bonds payable, BANS payable, early retirement payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(11,847,848)
<b>Net assets of governmental activites (page 15)</b>	<u><u>\$ 40,120,232</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 12,748,226	3,603,670	0	2,403,972	18,755,868
Tuition	2,666,548	0	0	0	2,666,548
Other	1,148,639	441,604	0	791,973	2,382,216
Intermediate sources	188,430	0	0	0	188,430
State sources	17,249,990	0	0	1,543	17,251,533
Federal sources	1,263,628	0	0	0	1,263,628
Total revenues	35,265,461	4,045,274	0	3,197,488	42,508,223
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	15,388,752	0	0	192,905	15,581,657
Special instruction	4,485,057	0	0	2,400	4,487,457
Other instruction	2,657,253	0	0	670,811	3,328,064
	22,531,062	0	0	866,116	23,397,178
Support services:					
Student services	1,381,440	0	0	4,426	1,385,866
Instructional staff services	568,634	0	0	2,418	571,052
Administration services	4,843,756	0	0	96,351	4,940,107
Operation and maintenance of plant services	3,508,126	0	0	224,183	3,732,309
Transportation services	810,428	0	0	21,980	832,408
	11,112,384	0	0	349,358	11,461,742
Non-instructional programs:					
Food service operations	0	0	0	9,886	9,886
Other expenditures:					
Facilities acquisitions	0	5,617,380	0	2,285,498	7,902,878
Long-term debt:					
Principal	0	0	765,000	0	765,000
Interest and fiscal charges	0	0	192,520	0	192,520
AEA flowthrough	1,274,667	0	0	0	1,274,667
	1,274,667	5,617,380	957,520	2,285,498	10,135,065
Total expenditures	34,918,113	5,617,380	957,520	3,510,858	45,003,871
Excess(deficiency) of revenues over(under) expenditures	347,348	(1,572,106)	(957,520)	(313,370)	(2,495,648)
Other financing sources(uses):					
Transfers in	0	0	957,520	24,720	982,240
Transfers out	0	(957,520)	0	(21,478)	(978,998)
Issuance of revenue BANS	0	7,000,000	0	0	7,000,000
Proceeds from the disposal of property	31,538	0	0	0	31,538
Total other financing sources	31,538	6,042,480	957,520	3,242	7,034,780
Net change in fund balances	378,886	4,470,374	0	(310,128)	4,539,132
Fund balances beginning of year	6,997,830	2,689,577	4,544	2,670,492	12,362,443
Fund balances end of year	\$ 7,376,716	7,159,951	4,544	2,360,364	16,901,575

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 19) \$ 4,539,132

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 7,945,697	
Depreciation expense	(1,655,971)	
Loss on disposal of assets	<u>(69,757)</u>	6,219,969

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	\$ (7,000,000)	
Repaid	<u>765,000</u>	(6,235,000)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 950,141

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (213,407)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (84,240)	
Compensated absences	<u>(18,330)</u>	(102,570)

Changes in net assets of governmental activities (page 16) \$ 5,158,265

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 244,309	3,105,967
Accounts receivable	5,655	22,428
Due from other governments	4,316	0
Inventories	11,751	0
Total current assets	266,031	3,128,395
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	152,937	0
Total non-current assets	152,937	0
TOTAL ASSETS	418,968	3,128,395
LIABILITIES		
Current liabilities:		
Interfund payable	39,183	0
Accounts payable	0	3,000
Salaries and benefits payable	5,989	0
Incurred but not reported claims	0	214,821
Unearned revenue	30,381	0
TOTAL LIABILITIES	75,553	217,821
NET ASSETS		
Invested in capital assets	152,937	0
Unrestricted	190,478	2,910,574
TOTAL NET ASSETS	\$ 343,415	2,910,574

SEE NOTES TO FINANCIAL STATEMENTS.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 1,011,935	4,204,642
TOTAL OPERATING REVENUES	1,011,935	4,204,642
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	24,456	0
Benefits	3,280	0
Services	729	54,781
	28,465	54,781
Operation and maintenance of plant services:		
Services	7,887	0
	7,887	0
Total support services	36,352	54,781
Non-instructional programs:		
Food service operations:		
Salaries	479,596	0
Benefits	132,199	0
Services	49,148	0
Supplies	825,272	0
Depreciation	33,846	0
Other	15	0
	1,520,076	0
Other enterprise operations:		
Benefits	0	3,306,915
	0	3,306,915
Total non-instructional programs	1,520,076	3,306,915
TOTAL OPERATING EXPENSES	1,556,428	3,361,696
OPERATING INCOME (LOSS)	(544,493)	842,946
NON-OPERATING REVENUES:		
State sources	17,680	0
Federal sources	498,571	0
Interest income	15,195	107,195
TOTAL NON-OPERATING REVENUES	531,446	107,195
Changes in net assets	(13,047)	950,141
Net assets beginning of year	356,462	1,960,433
Net assets end of year	\$ 343,415	2,910,574

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,007,945	0
Cash received from miscellaneous operating activities	8,040	4,280,664
Cash payments to employees for services	(637,576)	0
Cash payments to suppliers for goods or services	(813,527)	(3,642,046)
Net cash provided by(used in) operating activities	(435,118)	638,618
Cash flows from non-capital financing activities:		
State grants received	17,680	0
Federal grants received	436,005	0
Interfund loan borrowed from the General Fund	2,516	0
Net cash provided by non-capital financing activities	456,201	0
Cash flows from capital activities:		
Acquisition of assets	(46,030)	0
Net cash used in capital activities	(46,030)	0
Cash flows from investing activities:		
Interest on investment	15,195	107,195
Net cash provided by investing activities	15,195	107,195
Net increase(decrease) in cash and cash equivalents	(9,752)	745,813
Cash and cash equivalents at beginning of year	254,061	2,360,154
Cash and cash equivalents at end of year	\$ 244,309	3,105,967
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (544,493)	842,946
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	57,611	0
Depreciation	33,846	0
Decrease in inventories	11,913	0
(Increase)Decrease in accounts receivable	821	76,022
Decrease in incurred but not reported claims	0	(282,600)
Increase in accounts payable	0	2,250
Increase in salaries and benefits payable	1,955	0
Increase in unearned revenues	3,229	0
Net cash provided by(used in) operating activities	\$ (435,118)	638,618

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR  
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE  
SHEET:

Current assets:		
Cash and investments	\$ 244,309	3,105,967

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$57,611.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,007,945	0
Cash received from miscellaneous operating activities	8,040	4,280,664
Cash payments to employees for services	(637,576)	0
Cash payments to suppliers for goods or services	(813,527)	(3,642,046)
Net cash provided by(used in) operating activities	(435,118)	638,618
Cash flows from non-capital financing activities:		
State grants received	17,680	0
Federal grants received	436,005	0
Interfund loan borrowed from the General Fund	2,516	0
Net cash provided by non-capital financing activities	456,201	0
Cash flows from capital activities:		
Acquisition of assets	(46,030)	0
Net cash used in capital activities	(46,030)	0
Cash flows from investing activities:		
Interest on investment	15,195	107,195
Net cash provided by investing activities	15,195	107,195
Net increase(decrease) in cash and cash equivalents	(9,752)	745,813
Cash and cash equivalents at beginning of year	254,061	2,360,154
Cash and cash equivalents at end of year	\$ 244,309	3,105,967
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (544,493)	842,946
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	57,611	0
Depreciation	33,846	0
Decrease in inventories	11,913	0
(Increase)Decrease in accounts receivable	821	76,022
Decrease in incurred but not reported claims	0	(282,600)
Increase in accounts payable	0	2,250
Increase in salaries and benefits payable	1,955	0
Increase in unearned revenues	3,229	0
Net cash provided by(used in) operating activities	\$ (435,118)	638,618
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	\$ 244,309	3,105,967

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$57,611.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$          45,473</u>
LIABILITIES	
Accounts payable	\$          3,242
Due to other groups	42,231
	<u>\$          45,473</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

Bettendorf Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area within the County of Scott, including the City of Bettendorf. Within the District are eight schools, including six elementary schools for kindergarten to grade five, one middle school for grades six, seven and eight and one high school for grades nine to twelve. Oversight responsibility for the District's operations is vested in a seven-member Board of Education which is elected by the public on a non-partisan basis. Management of the District is appointed by and is accountable to the Board of Education.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bettendorf Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School

Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the



government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Assets	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,010,941</u>

At June 30, 2007, the District had investments in Fannie Mae Discount Notes as follows:

	<u>Amortized Cost</u>
Fannie Mae Discount Notes	<u>\$ 2,500,000</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Interfund Receivable and Payable**

The detail of interfund receivable and payable balances for the year ended June 30, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 83,810
General	Enterprise, School Nutrition	<u>39,183</u>
Total		<u>\$ 122,993</u>

The Capital Projects Fund is repaying the Debt Service Fund for the debt sinking reserve requirements that began during the school year. The balance will be repaid by June 30, 2008.

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2006-07 school year. The balance will be repaid by June 30, 2008.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 957,520
Special Revenue, Physical Plant and Equipment Levy	Special Revenue, Student Activity	21,478
Special Revenue, Student Activity	Agency	3,242
Total		<u>\$ 982,240</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	499,030	6,698,842	0	7,197,872
Total capital assets not being depreciated	<u>1,516,445</u>	<u>6,698,842</u>	<u>0</u>	<u>8,215,287</u>
Capital assets being depreciated:				
Buildings	42,825,285	733,590	641,415	42,917,460
Land improvements	150,938	33,606	0	184,544
Machinery and equipment	5,080,340	479,659	522,965	5,037,034
Total capital assets being depreciated	<u>48,056,563</u>	<u>1,246,855</u>	<u>1,164,380</u>	<u>48,139,038</u>
Less accumulated depreciation for:				
Buildings	18,956,834	1,342,387	611,278	19,687,943
Land improvements	115,935	7,433	0	123,368
Machinery and equipment	4,336,902	306,151	483,345	4,159,708
Total accumulated depreciation	<u>23,409,671</u>	<u>1,655,971</u>	<u>1,094,623</u>	<u>23,971,019</u>
Total capital assets being depreciated, net	<u>24,646,892</u>	<u>(409,116)</u>	<u>69,757</u>	<u>24,168,019</u>
Governmental activities capital assets, net	<u>\$ 26,163,337</u>	<u>6,289,726</u>	<u>69,757</u>	<u>32,383,306</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 581,375	46,030	0	627,405
Less accumulated depreciation	440,622	33,846	0	474,468
Business-type activities capital assets, net	<u>\$ 140,753</u>	<u>12,184</u>	<u>0</u>	<u>152,937</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 171,341
Support services:	
Operation and maintenance	8,559
Transportation	126,251
	<u>306,151</u>
Unallocated depreciation	<u>1,349,820</u>
Total governmental activities depreciation expense	<u>\$ 1,655,971</u>
Business-type activities:	
Food services	<u>\$ 33,846</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,930,000	0	765,000	4,165,000	785,000
Revenue BANS	0	7,000,000	0	7,000,000	0
Early Retirement	499,415	180,000	95,760	583,655	105,518
Compensated Absences	80,863	99,193	80,863	99,193	99,193
Total	<u>\$ 5,510,278</u>	<u>7,279,193</u>	<u>941,623</u>	<u>11,847,848</u>	<u>989,711</u>

#### Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue of August 1, 2005		
		Principal	Interest	Total
2008	3.40%	\$ 785,000	141,610	926,610
2009	3.40	815,000	114,920	929,920
2010	3.40	840,000	87,210	927,210
2011	3.40	860,000	58,650	918,650
2012	3.40	865,000	29,410	894,410
Total		<u>\$ 4,165,000</u>	<u>431,800</u>	<u>4,596,800</u>

### Revenue BANS Payable

Revenue bond anticipation notes (BANS) were issued in anticipation of future revenues. Revenue BANS were issued for capital facility additions and will be repaid using Local Option Sales and Services Tax collected in the Capital Projects Fund. Details of the District's June 30, 2007 revenue bond anticipation notes bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2, 2006			
	Interest Rates	Principal	Interest	Total
2008	4.12%	\$ 0	431,949	431,949
2009	4.12	0	288,500	288,500
2010	4.12	7,000,000	144,250	7,144,250
Total		\$ 7,000,000	864,699	7,864,699

### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The benefits will be \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2007, totaled \$95,760.

### **(7) Bond Defeasement**

On August 1, 2005, the District issued \$5,720,000 in general obligation bonds to advance refund \$2,725,000 and \$2,860,000 of outstanding general obligation bonds dated May 1, 1997 and January 1, 1998, respectively. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2007 \$4,210,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$720,000 and \$238,208.

### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$1,215,772, \$1,203,973 and \$1,189,429 respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a \$2,910,574 at June 30, 2007. The incurred but not recorded and unpaid claims liability of \$214,821 reported in the plan at June 30, 2007 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,274,667 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services area exceeded the amount budgeted.

**(12) Construction Commitments**

The District entered into various contracts totaling \$7,924,024 for a renovation at Thomas Edison, additions to the middle school for a new fitness center and technology lab, a boiler replacement at the middle school and a new Neil Armstrong building. At June 30, 2007, \$7,197,872 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION



BETTENDORF COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND ENTERPRISE FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 23,804,632	1,027,130	24,831,762	23,909,575	23,909,575	922,187
Intermediate sources	188,430	0	188,430	75,000	75,000	113,430
State sources	17,251,533	17,680	17,269,213	17,133,942	17,133,942	135,271
Federal sources	1,263,628	498,571	1,762,199	1,455,000	1,455,000	307,199
Total revenues	42,508,223	1,543,381	44,051,604	42,573,517	42,573,517	1,478,087
Expenditures:						
Instruction	23,397,178	0	23,397,178	25,431,735	25,431,735	2,034,557
Support services	11,461,742	36,352	11,498,094	11,097,265	11,483,582	(14,512)
Non-instructional programs	9,886	1,520,076	1,529,962	1,600,900	1,600,900	70,938
Other expenditures	10,135,065	0	10,135,065	8,373,134	11,296,610	1,161,545
Total expenditures	45,003,871	1,556,428	46,560,299	46,503,034	49,812,827	3,252,528
Deficiency of revenues under expenditures	(2,495,648)	(13,047)	(2,508,695)	(3,929,517)	(7,239,310)	4,730,615
Other financing sources, net	7,034,780	0	7,034,780	20,000	20,000	7,014,780
Excess(deficiency) of revenues and other financing sources over(under) expenditures	4,539,132	(13,047)	4,526,085	(3,909,517)	(7,219,310)	11,745,395
Balance beginning of year	12,362,443	356,462	12,718,905	10,183,106	10,183,106	2,535,799
Balance end of year	\$ 16,901,575	343,415	17,244,990	6,273,589	2,963,796	14,281,194

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,309,793.

During the year ended June 30, 2007, expenditures in the support services area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 1,061,183	379,230	1,018,026	2,458,439
Receivables:				
Property tax				
Current year delinquent	9,425	0	26,519	35,944
Succeeding year	633,944	0	1,888,895	2,522,839
Accounts	0	8,581	21,478	30,059
Due from other governments	9	0	23	32
Total assets	\$ 1,704,561	387,811	2,954,941	5,047,313
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 0	22,246	141,864	164,110
Deferred revenue:				
Succeeding year property tax	633,944	0	1,888,895	2,522,839
Total liabilities	633,944	22,246	2,030,759	2,686,949
Fund balances:				
Unreserved fund balances	1,070,617	365,565	924,182	2,360,364
Total liabilities and fund balances	\$ 1,704,561	387,811	2,954,941	5,047,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 621,760	0	1,782,212	2,403,972
Other	71,156	695,770	25,047	791,973
State sources	416	0	1,127	1,543
TOTAL REVENUES	693,332	695,770	1,808,386	3,197,488
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	192,905	0	0	192,905
Special instruction	2,400	0	0	2,400
Other instruction	5,590	665,221	0	670,811
	200,895	665,221	0	866,116
Support services:				
Student services	4,426	0	0	4,426
Instructional staff services	2,418	0	0	2,418
Administration services	96,351	0	0	96,351
Operation and maintenance of plant services	200,720	0	23,463	224,183
Transportation services	21,980	0	0	21,980
	325,895	0	23,463	349,358
Non-instructional programs:				
Food service operations	9,886	0	0	9,886
Other expenditures:				
Facilities acquisitions	0	0	2,285,498	2,285,498
TOTAL EXPENDITURES	536,676	665,221	2,308,961	3,510,858
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	156,656	30,549	(500,575)	(313,370)
Other financing sources(uses):				
Transfers in	0	3,242	21,478	24,720
Transfers out	0	(21,478)	0	(21,478)
Total other financing sources(uses)	0	(18,236)	21,478	3,242
Net change in fund balances	156,656	12,313	(479,097)	(310,128)
Fund balance beginning of year	913,961	353,252	1,403,279	2,670,492
Fund balance end of year	\$ 1,070,617	365,565	924,182	2,360,364

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Vocal Music 1	\$ (69)	9,626	12,216	(2,659)
Vocal Music 2	466	9,632	10,568	(470)
Instrumental Music	5,666	29,214	23,815	11,065
Orchestra	1,050	29	276	803
Co-Ed Athletics	7,496	0	7,496	0
BMS Cheerleading	272	373	148	497
Fundraiser	10	0	10	0
Bookstore	1,045	0	1,045	0
Health Club	279	81	11	349
Interest	0	3,938	0	3,938
Yearbk/Photo Club	147	15,788	15,935	0
Reading Club	83	1	0	84
Library Club	2,453	1,017	217	3,253
Foreign Lang Club	579	8	0	587
Spec Ed Activities	71	150	183	38
Student Council	10,777	0	10,777	0
Computer Club	1	0	0	1
Living Skills Club	728	10	(89)	827
School Paper	(1,075)	7,418	6,207	136
Functional Skills	0	563	362	201
Sail/Tag Fundraiser	757	1,210	274	1,693
Art Club	82	1	(128)	211
German Club	14	0	14	0
Ceramics Club	59	1	0	60
N.A. Fundraiser	689	77	0	766
N.A. Bookstore	3,019	43	0	3,062
N.A. Shooting Stars	328	379	425	282
Hoover Fundraiser	602	562	44	1,120
Hoover Bookstore	7,080	2,184	2,101	7,163
Hoover Pop Fund	3,942	790	690	4,042
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	1,054	692	1,252	494
P.N. Bookstore	2,715	39	0	2,754
P.N. Pop Fund	(50)	0	12	(62)
M.T. Fundraiser	121	1	0	122
M.T. Bookstore	5,076	6,334	4,300	7,110
M.T. Bookstore - BD	172	544	231	485
G.W. Fundraiser	2,338	2,437	4,059	716
G.W. Bookstore	2,258	1,016	1,080	2,194
G.W. Pop Fund	2,952	857	2,324	1,485
N.A. Intersession	0	21	0	21
N.A. Student	0	195	0	195
House-4	261	0	261	0
6-House I	278	1,149	1,367	60
6-House II	1,210	758	1,342	626
6-House III	476	7	(12)	495

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
7-House I	16	1,762	1,753	25
7-House II	397	1,864	1,640	621
7-House III	540	875	1,130	285
8-House I	68	9,898	10,025	(59)
8-House II	519	3,231	2,885	865
8-House III	936	3,766	5,980	(1,278)
School Fundraising	12,574	27,600	22,362	17,812
Student Needs	2,649	521	1,931	1,239
BWCA	3,674	15,111	17,739	1,046
Elem Outdoor Educ	957	0	957	0
BMS Outdoor Educ	723	0	723	0
BHS Outdoor Educ	151	0	151	0
Outdoor Education	261	23,465	20,608	3,118
IAMLE Conference	0	2,083	2,090	(7)
Karla's Girls	0	1,747	1,782	(35)
MS Parent Link	0	0	119	(119)
OD Ed Arts In Educ	(99)	0	(99)	0
Drama	11,886	8,613	7,861	12,638
Debate	(1,099)	5,585	4,173	313
Mock Trial	81	1	0	82
Vocal Music	9,664	7,843	10,629	6,878
Instrumental Music	1,397		1,397	0
Musical	7,915	5,461	4,695	8,681
Co-Ed Athletics	154,930	178,070	156,651	176,349
Sports Uniforms	0	966	566	400
Boys Basketball	0	32,593	30,891	1,702
Football	(52)	69,426	73,114	(3,740)
Boys Soccer	0	4,653	2,645	2,008
Baseball	(470)	4,516	1,491	2,555
Boys Track	0	3,067	1,309	1,758
Boys Cross Country	0	470	470	0
Boys Tennis	0	50	(75)	125
Boys Golf	0	100	100	0
Boys Swimming	0	2,886	2,568	318
Wrestling	0	4,645	4,381	264
Girls Basketball	0	7,973	7,973	0
Volleyball	0	6,618	6,529	89
Girls Soccer	0	4,262	4,262	0
Softball	(528)	5,911	5,482	(99)
Girls Track	0	1,313	522	791
Girls Cross Country	0	801	801	0
Girls Tennis	0	31	217	(186)
Girls Golf	(541)	67	(1,125)	651
Girls Swimming	0	3,703	3,703	0
Bookstore	58	21	79	0
MS Nurse Vending	0	160	44	116

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	0	2	0	2
Close Up	113	4	(44)	161
Amicus	2,552	42	276	2,318
Activity Tickets	547	3,663	213	3,997
Step Team	439	54	484	9
Science Club	71	267	(136)	474
Scholastic Bowl	(76)	0	(76)	0
Yearbk-Beacon	7,182	56,291	57,627	5,846
Student Council	13,036	19,065	17,577	14,524
SADD	964	17	139	842
Cheerleaders	1,333	13,364	13,582	1,115
Japanese Club	994	0	994	0
Growl Newspaper	11,282	9,299	4,380	16,201
SAVE	2,291	33	906	1,418
HIV Peer Educ	737	1,196	713	1,220
Spanish Club	4,537	4,903	5,630	3,810
Nat Honor Soc	22	71	27	66
Outdoor Club	211	0	211	0
German Club	7,623	4,367	9,221	2,769
Latin Club	6,168	0	6,168	0
French Club	588	1,728	903	1,413
TTAAA	0	430	400	30
Prof Business	778	1,289	(441)	2,508
BHS England Trip	0	1,965	0	1,965
BHS SIT	0	1,082	0	1,082
Goldusters	3,685	14,970	15,404	3,251
Art Club	1,063	140	687	516
Key Club	507	4	397	114
Club Vending	6,108	4,853	6,947	4,014
Pr Club Vending	2,850	5,448	5,898	2,400
Pr Student Needs	90	2	0	92
MS Vending	0	1,433	266	1,167
BHS Memorial	0	63	63	0
Class of 2005	6	0	6	0
Class of 2006	2,638	18	2,656	0
Class of 2007	2,990	0	2,990	0
Class of 2008	(502)	2,183	547	1,134
Class of 2009	392	1,049	221	1,220
Class of 2010	0	844	(79)	923
Total	\$ 353,252	699,012	686,699	365,565

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 28,179	48,428	31,134	45,473
LIABILITIES				
Accounts payable	\$ 0	3,242	0	3,242
Due to other groups	28,179	45,186	31,134	42,231
	<u>\$ 28,179</u>	<u>48,428</u>	<u>31,134</u>	<u>45,473</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 18,755,868	18,125,916	18,007,604	16,823,954
Tuition	2,666,548	2,588,528	2,399,022	2,046,563
Other	2,382,216	1,919,448	2,192,358	3,038,648
Intermediate sources	188,430	126,709	119,308	2,902
State sources	17,251,533	16,636,019	15,642,365	15,280,414
Federal sources	1,263,628	1,013,070	1,276,650	746,060
Total	<u>\$ 42,508,223</u>	<u>40,409,690</u>	<u>39,637,307</u>	<u>37,938,541</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 15,581,657	15,072,881	14,724,134	14,274,129
Special instruction	4,487,457	4,572,032	4,734,324	5,716,290
Other instruction	3,328,064	3,891,306	3,839,779	2,125,947
Support services:				
Student services	1,385,866	512,669	675,195	779,098
Instructional staff services	571,052	629,082	583,015	1,505,432
Administration services	4,940,107	5,026,556	4,704,480	3,501,533
Operation and maintenance of plant services	3,732,309	3,668,068	3,341,979	3,108,767
Transportation services	832,408	637,396	676,443	626,091
Central support services	0	0	0	170,495
Non-instructional programs	9,886	1,319	5,212	6,748
Other expenditures:				
Facilities acquisitions	7,902,878	1,779,691	4,755,728	3,767,811
Long-term debt:				
Principal	765,000	790,000	655,000	625,000
Interest and other charges	192,520	297,223	309,704	332,945
AEA flow-through	1,274,667	1,219,600	1,148,422	1,136,605
Total	<u>\$ 45,003,871</u>	<u>38,097,823</u>	<u>40,153,415</u>	<u>37,676,891</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 07	\$ 215,423
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	57,611
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	72,907
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	367,558
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 07	495
			440,960
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0721-G	266,376
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0721-GC	19,615
			285,991
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	12,400
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 07	5,378
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 07	2,009
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	110,917
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 07	29,960
DEPARTMENT OF DEFENSE:			
SCOTT COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 07	10,572

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DEPARTMENT OF EDUCATION:			
MISSISSIPPI BEND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>211,133</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 07	<u>750</u>
ALTERNATE ASSESSMENT TEACHER CADRE	84.326	FY 07	<u>860</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>13,815</u>
DEPARTMENT OF JUSTICE:			
SCOTT COUNTY:			
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	FY 07	<u>86,323</u>
TOTAL			<u>\$ 1,484,102</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bettendorf Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettendorf Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bettendorf Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bettendorf Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bettendorf Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bettendorf Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bettendorf Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bettendorf Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bettendorf Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2008

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Bettendorf Community School District:

#### Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bettendorf Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bettendorf Community School District's compliance with those requirements.

In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over compliance.

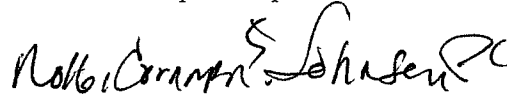
Members American Institute & Iowa Society of Certified Public Accountants

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2008



BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We have implemented procedures and we are monitoring the situation expecting to bring recommendations for changes to the Board in the near future.

Conclusion - Response accepted.

II-B-07 Establishment of Accounts -The District's high school Student Council had established a separately maintained bank account, and was conducting transactions with the separate account as well as the District maintained account.

Although the District had established policies and procedures to record all bank accounts associated with the District and District activities, the controls were not effective in circumventing an establishment of a separate bank account.

Recommendation -The District procedures should be reviewed and changes made to strengthen controls relating to establishment and maintenance of bank accounts.

Response - Transactions in this account were not reported to the District. As a result, sufficient records to support financial activity were not retained by the student council. Once the District found out a separate account was maintained, the account was closed and deposited into the Student Activity Fund, Student Council account. We have implement procedures and continue to educate employees.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

II-C-07 Purchase Orders - We noted during our audit that the District has a purchase order system, however it appears that the Activity Fund doesn't use pre-numbered purchase orders and the Nutrition Fund doesn't use purchase orders. In addition, in the Student Activity Fund we noted three of twenty-five disbursements tested had purchase orders dated after the services had already been performed.

Recommendation - The purchase order system allows for the District to monitor expenses which have already been obligated and therefore providing information as to what is yet

available. By approving purchase orders after ordering is completed, the District is more likely to exceed budgeted amounts. The District should review procedures in place and make necessary changes to ensure purchase orders are completed prior to purchasing.

Response - We are working on this recommendation and will continue to use purchase orders for everything that we can. The Nutrition and Activity Funds are now using the District's purchase order system.

Conclusion - Response accepted.

- II-D-07 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events and was receipted into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - We will make the necessary changes.

Conclusion - Response accepted.

- II-E-07 Accounting for Irrigation System Donation - We noted during our audit that the District entered into a contract for an irrigation system. The contract was funded by a donation received and recorded in the Student Activity Fund and then transferred to the Physical Plant and Equipment Levy Fund. We noted no board approval for the transfer.

When donations are received, the revenue should be recorded into the fund where the proceeds may legally be expended. The irrigation system would not appear to be an appropriate expenditure from the Student Activity Fund.

Recommendation - The donation received for the irrigation project should have been recorded into the Physical Plant and Equipment Levy Fund where the expenditure could legally be made. In the future, the District should place donations into the proper fund where expenditures can legally be made. In addition, transfers between funds should be approved by the Board of Directors.

Response - In the future, donations will be recorded in the fund where legally be expended. Transfers will be approved by the Board.

Conclusion - Response accepted.

- II-F-07 Irrigation System Contract Authorization - We noted during our audit that the District entered into a contract for an irrigation system. The contract for the irrigation system was not signed by the Board President. Chapter 291.1 of the Code of Iowa requires all contracts be signed by the Board President.

Recommendation - The District needs to review Chapter 291.1 of the Code of Iowa and communicate to employees that they may not sign contracts on behalf of the District. The Board President should sign all contracts.

Response - We will continue to monitor signatures on contracts.

Conclusion - Response accepted.

II-G-07 Lack of Documentation - Sufficient records were not prepared or were not retained to adequately support the financial activity in the separately maintained bank account (See comment II-B-07). We identified the following concerns:

- 1) Receipts - Receipts were not deposited intact, but split between the district account and separately maintained account as needed to fund the expenses paid out of this account. Expenses also appear to have been paid directly from the cash receipts collected.
- 2) Disbursements - Invoices, claims or other supporting documentation had to be recreated as records were not maintained for the activity.
- 3) Bank Record - Bank statements and deposit slips were not always retained. Copies of certain bank statements were obtained from the bank for our review.
- 4) Check Registers - Check registers were not adequately maintained. Bank balances were not reconciled to book balances, resulting in overdrafts.
- 5) Check Cards - Two check cards were issued on the account and used by students to make purchases.
- 6) Sales Tax - Sales tax was paid on many of the purchases because they made purchases without going through the schools purchasing procedures.
- 7) Commingling of Personal Assets - Personal money was placed in the account when the cash balance was low. Personal bills were paid out of this bank account inadvertently and reimbursed.
- 8) Purchase Orders - Purchase orders are used to control expenditures, document public purpose and show approval by the administration, because the purchase order was not done, all of these functions were omitted.

Recommendation - According to the Uniform Administrative Procedures for Iowa School Officials, "In Iowa, all funds collected through school activities are under the financial control of the school board. Prudent and proper accounting of all receipts and expenditures in these accounts is, therefore, the responsibility of the board, and therefore, the board secretary and board treasurer (291). Districts may maintain subsidiary records for student activities, however, all official records of the student activity fund shall be maintained on the single, district-wide Uniform Financial Accounting system, and all subsidiary records must be reconciled to the official records on a monthly basis."

It is building administrators responsibility to ensure that employees comply with all district policies and procedures. The Athletic Director, Principals and Assistant Principal are responsible to ensure all transactions are utilizing already existing procedures relating to receipting, disbursing and related approval procedures.

Response - Once the District found out a separate account was maintained, the account was closed and deposited into the Student Activity Fund, Student Council account. We have implement procedures and continue to educate employees.

Conclusion - Response accepted.

OTHER RECOMMENDATIONS:

II-H-07 Accounting for Scholarships - We noted during our audit that the District holds a fundraiser for scholarships and scholarships are subsequently paid. Currently these transactions are within the General Fund. In addition, we noted the scholarship checks are being made out to the individuals.

Recommendation - The Trust Fund would appear to be a more appropriate fund for these transactions. Checks should be made out to both the student and the college or to the college once attendance has been determined.

Response - We will review accounting procedures for scholarships.

Conclusion - Response accepted.

II-I-07 Student Council Activities - We reviewed a list of Student Council activities for the school year. The list included at least 45 events many of which were fund raising activities.

Recommendation - The level of activity for such a small number of students appears high. The District may want to look at other districts your size as to what activities are done by the Student Council. For instance, in a large number of schools the junior class would fundraise and handle the junior senior prom rather than the Student Council.

Response - The High School Principal has addressed this and is working with the Student Council representatives to address the activities they will sponsor.

Conclusion - Response accepted.

II-J-07 Support for Checks Written to Sponsors - The District has a practice of issuing a check to sponsors to be distributed to student participants at state athletic events. The money was to be divided among the students for meals. The sponsors do not provide receipts to support the meal purchase nor do they have documentation that the individual students actually received the money.

Recommendation - The District should always have documentation to support a check written. The District should develop procedures for situations when meals will be paid for students participating at state events. The District may have the Sponsors pay for and retain documentation or the District may provide to individuals the meal allotment and request a signoff sheet by the individual students.

Response - We will implement a signoff sheet as the support documentation for students receiving money for meals.

Conclusion - Response accepted.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies were reported.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the support services area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-07 Certified Enrollment - We confirmed a correction request of the basic enrollment data certified to the Department of Education. The number of students included in supplemental weighing was understated by 2.52 students.

Recommendation - Since the date for making District corrections had passed, the adjustment to Department of Education for a supplemental weighting needs to be done as an auditor adjustment. The District should contact the Iowa Department of Education and the Department of Management to make these changes.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.